

# Risk Management

# What is Risk Management?

- **Good management practice**
- **Process steps that enable improvement in decision making**
- **A logical and systematic approach**
- **Identifying opportunities**
- **Avoiding or minimising losses**

**Risk Management is the name  
given to a logical and  
systematic method of  
identifying, analysing, treating  
and monitoring the risks  
involved in any activity or  
process**

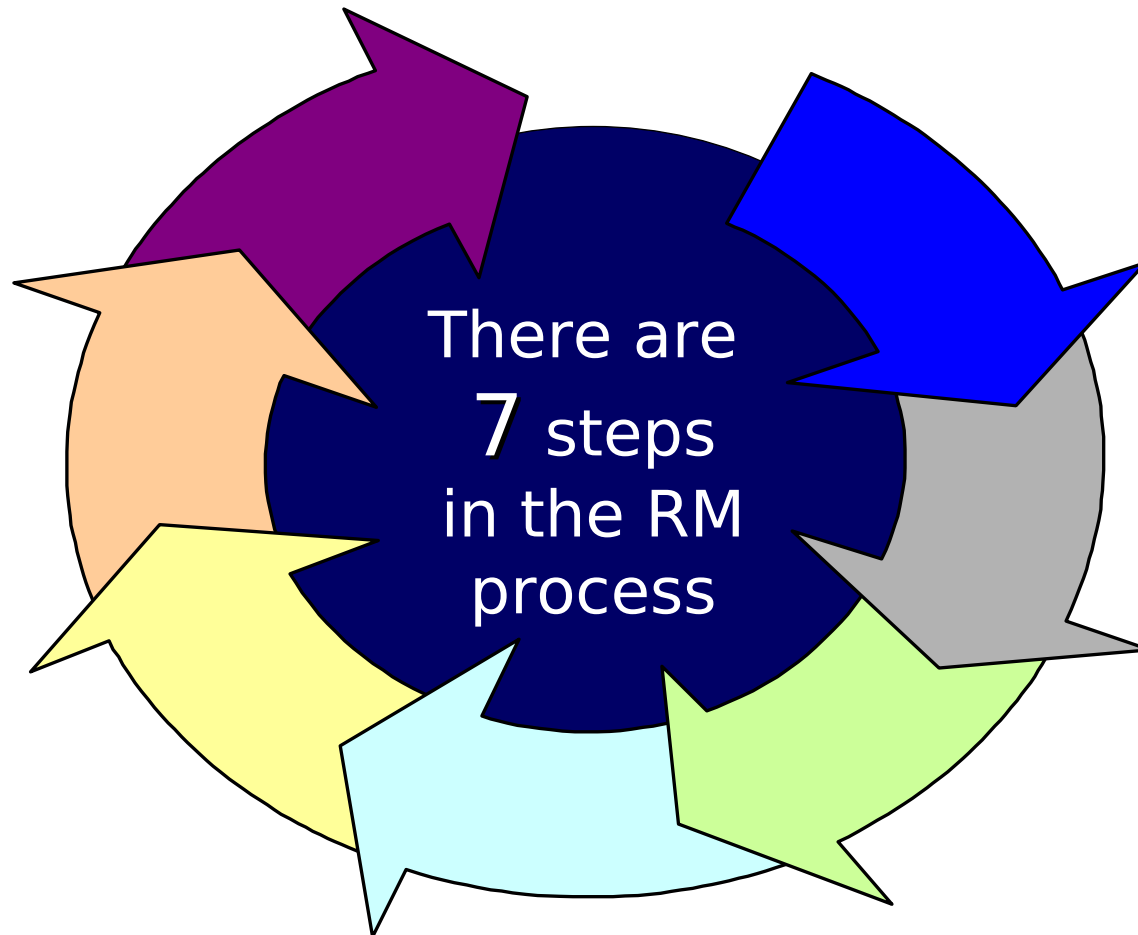
**Risk Management is a  
methodology that helps  
managers make best use of  
their available resources**

**Risk Management practices are widely used in public and the private sectors, covering a wide range of activities or operations.**

**These include:**

- Finance and Investment
- Insurance
- Health Care
- Public Institutions
- Government

**The Risk Management process steps are a generic guide for any organisation, regardless of the type of business, activity or function.**



# **The basic process steps are:**

Establish the context

Identify the risks

Analyse the risks

Evaluate the risks

Treat the risks

**‘Risk’ is dynamic and subject to constant change, so the process includes continuing:**

Monitoring and review

and

Communication & consultation

# The Risk Management process

Identify the risks

Defining types of risk, for instance, 'Strategic' risks to the goals and objectives of the organisation.

- Identifying the stakeholders, (i.e., who is involved or affected).
- Past events, future developments.

Monitor and review

Communicate & consult



# The Risk Management process

Analyse the risks

How likely is the risk event to happen?  
(Probability and frequency?)

What would be the impact, cost or  
consequences of that event occurring?  
(Economic, political, social?)

Monitor and review

Communicate & consult

# The Risk Management process

Evaluate the risks

Rank the risks according to management priorities, by risk category and rated by likelihood and possible cost or consequence.

Determine inherent levels of risk.

Monitor and review

Communicate & consult

# The Risk Management process

Treat the risks

Develop and implement a plan with specific counter-measures to address the identified risks.

Consider:

- Priorities (Strategic and operational)
- Resources (human, financial and technical)
- Risk acceptance, (i.e., low risks)

# The Risk Management process

Treat the risks

Document your risk management plan and describe the reasons behind selecting the risk and for the treatment chosen.

Record allocated responsibilities, monitoring or evaluation processes, and assumptions on residual risk.

Monitor and review

Communicate & consult

# The Risk Management process

Monitor and review

In identifying, prioritising and treating risks, organisations make assumptions and decisions based on situations that are subject to change, (e.g., the business environment, trading patterns, or

§ Risk Management policies and decisions must be regularly reviewed.

Communicate & consult

# The Risk Management process

Monitor and review

Risk Managers must monitor activities and processes to determine the accuracy of planning assumptions and the effectiveness of the measures taken to treat the risk.

Methods can include data evaluation, audit, compliance measurement.

Communicate & consult